

1987

# Proposed statement on standards for attestation engagements : attest services related to MAS engagements ;Attest services related to MAS engagements; Exposure draft (American Institute of Certified Public Accountants), 1987, May 29

American Institute of Certified Public Accountants. Management Advisory Services Executive Committee

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**EXPOSURE DRAFT**

**PROPOSED STATEMENT ON STANDARDS  
FOR ATTESTATION ENGAGEMENTS**

**ATTEST SERVICES RELATED TO  
MAS ENGAGEMENTS**

**MAY 29, 1987**

Prepared by the AICPA  
Management Advisory Services (MAS) Executive Committee

Comments should be received by July 31, 1987, and addressed to  
AICPA MAS Division, File 104  
1211 Avenue of the Americas, New York, N.Y. 10036-8775

## SUMMARY

This proposed statement amends the Statement on Standards for Attestation Engagements, *Attestation Standards*. It provides guidance on performing an attest service as part of a management advisory services (MAS) engagement and on the use in attest engagements of assertions, criteria, and evidence derived from a concurrent or prior MAS engagement. It also distinguishes the evaluations of written assertions of third parties required in attest engagements from similar evaluations that practitioners may make in MAS engagements.

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*This exposure draft has been sent to —*

- *Practice offices of CPA firms.*
  - *Members of AICPA Council and technical committees.*
  - *Members of the AICPA Membership Division for MAS.*
  - *State society and chapter presidents, directors, and committee chairmen.*
  - *Persons who have requested copies.*
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## American Institute of Certified Public Accountants

1211 Avenue of the Americas, New York, NY 10036-8775, Telephone (212) 575-6200

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May 29, 1987

Accompanying this letter is an exposure draft of a proposed statement on standards for attestation engagements (SSAE) entitled *Attest Services Related to MAS Engagements*. The proposed standard amends the first SSAE, *Attestation Standards*, hereinafter referred to as SSAE No. 1. A summary of the proposed standard accompanies this letter.

When SSAE No. 1 was sent to the AICPA's MAS Executive Committee for comment prior to issuance, the committee expressed concern that many practitioners might misinterpret the new standards as being applicable to certain management advisory services (MAS) since the definition of attest services does not exclude reports prepared for a client's internal use. The committee also noted the possibility of misinterpretation concerning the ability to perform both attest and MAS services involving the same written assertion. As a result, a temporary exemption was placed in SSAE No. 1 for attestation services incidental to MAS engagements.

Paragraph 71 of SSAE No. 1 exempted certain attest engagements (services) from compliance with the new attestation standards "pending further interpretation by authorized AICPA senior technical committees." The Management Advisory Services Executive Committee has prepared this statement to provide that interpretation and to eliminate that exemption. The attestation standards, as amended by this statement, will apply to all attestation engagements and to attest services performed as part of MAS or other engagements.

This proposed statement provides guidance for practitioners who perform related attest and management advisory services for a client as part of a single engagement or in separate engagements. In particular, it establishes conditions under which a practitioner may attest to a client's written assertion that was developed with practitioner assistance.

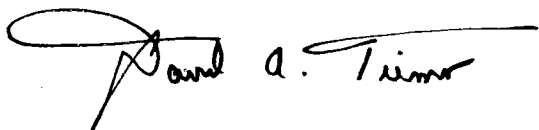
The proposed standard also establishes that an evaluation of a written assertion *in and of itself* does not constitute an attest service subject to the attestation standards. This is an important distinction because practitioners may evaluate written assertions of other parties to provide either an attest service or an MAS service. The purpose of such evaluations and the nature of the report required for each type of service differ significantly.

In developing guidance, the MAS Executive Committee considered the relationship between the cost imposed by attest services and the benefits reasonably expected to be derived. It also considered differences that practitioners may encounter in providing attest services to small businesses.

Comments or suggestions on any aspect of this exposure draft will be appreciated. The MAS Executive Committee's consideration of responses will be helped if the comments refer to the specific paragraph numbers and include supporting reasons for any suggestions and comments.

Responses should be sent to the AICPA MAS Division, File 104, in time to be received by July 31, 1987. For your convenience, a postpaid mailer is attached to this exposure draft. Written comments on the exposure draft will become part of the public record of the AICPA MAS Division and will be available for public inspection at the offices of the American Institute of Certified Public Accountants after August 14, 1987, for one year.

Sincerely,

A handwritten signature in cursive script that reads "David A. Tierno". The signature is fluid and extends across the width of the line.

David A. Tierno  
Chairman  
MAS Executive Committee

A handwritten signature in cursive script that reads "Monroe S. Kuttner". The signature is more compact and stylized than the one on the left.

Monroe S. Kuttner  
Director  
MAS Division

# PROPOSED STATEMENT ON STANDARDS FOR ATTESTATION ENGAGEMENTS

## ATTEST SERVICES RELATED TO MAS ENGAGEMENTS

### INTRODUCTION

1. This statement amends paragraph 71 of the Statement on Standards for Attestation Engagements, *Attestation Standards* (SSAE No. 1), to eliminate the temporary exclusion relating to attest engagements in which the practitioner's conclusions about the reliability of a written assertion of another party meet all the following conditions:

- a. They are an incidental part of an engagement whose principal objective is to provide advice to the client based on the practitioner's expertise, such as in management advisory services.
- b. They will be distributed solely to the client and to third parties that have the ability to negotiate directly with the party responsible for the assertion.
- c. They are not subject to other existing authoritative interpretive standards for attest engagements.

2. This statement provides guidance on (a) attest services as part of a management advisory services (MAS) engagement and (b) attest services involving assertions, criteria, and evidence derived from a concurrent or prior MAS engagement.

3. This statement also describes the nonattest evaluations of written assertions that may be performed in MAS engagements.

### ATTEST SERVICES AS PART OF AN MAS ENGAGEMENT

4. When a practitioner<sup>1</sup> provides an attest service (as defined in SSAE No. 1) as part of an MAS engagement, the Statements on Standards

for Attestation Engagements<sup>2</sup> apply only to the attest service. Statements on Standards for Management Advisory Services (SSMASs) apply to the balance of the MAS engagement.<sup>3</sup>

5. When the practitioner determines that an attest service is to be provided as part of an MAS engagement, the practitioner should inform the client of the relevant differences between the two types of services and obtain concurrence that the attest service is to be performed in accordance with the appropriate professional requirements. The MAS engagement letter or an amendment should document the requirement to perform an attest service. The practitioner should take such actions because the professional requirements for an attest service differ from those for a management advisory service.

6. The practitioner should issue separate reports on the attest engagement and the MAS engagement and, if presented in a common binder, the report on the attest engagement or service should be clearly identified and segregated from the report on the MAS engagement.

### ASSERTIONS, CRITERIA, AND EVIDENCE

7. An attest service may involve written assertions, evaluation criteria, or evidential matter developed during a concurrent or prior MAS engagement. A written assertion of another party developed with the

practitioner's advice and assistance as the result of such an MAS engagement may be the subject of an attestation engagement, provided the assertion is dependent upon the actions, plans, or assumptions of that other party who is in a position to have an informed judgment about its accuracy. Criteria developed with the practitioner's assistance may be used to evaluate an assertion in an attest engagement, provided such criteria meet the requirements in SSAE No. 1. Relevant information obtained in the course of a concurrent or prior MAS engagement may be used as evidential matter in an attest engagement, provided the information satisfies the requirements of SSAE No. 1.

### NONATTEST EVALUATIONS OF WRITTEN ASSERTIONS

8. The evaluation of statements contained in a written assertion of another party when performing a management advisory service does not in and of itself constitute the performance of an attest service. For example, in the course of an engagement to help a client select a computer that meets the client's needs, the practitioner may evaluate written assertions from one or more vendors, performing some of the same procedures as required for an attest service. However, the MAS report will focus on whether the computer meets the client's needs, not on the reliability of the vendor's assertions. Also, the practitioner's study of the computer's suitability will not be limited to what is in the written assertions of the vendors. Some or all of the information provided in the vendors' written proposals, as well as other information, will be evaluated to recommend a system suitable to the client's needs. Such evaluations are necessary to enable the practitioner to achieve the purpose of the MAS engagement.

<sup>1</sup> Practitioner is defined in SSAE No. 1 to include a proprietor, partner, or shareholder in a public accounting firm and any full- or part-time employee of a public accounting firm, whether certified or not.

<sup>2</sup> This refers to the Statement on Standards for Attestation Engagements, *Attestation Standards*, and subsequent statements in that series, as issued by the AICPA.

<sup>3</sup> This refers to the Statement on Standards for Management Advisory Services No. 1, *Definitions and Standards for MAS Practice*, and subsequent statements in that series, as issued by the AICPA.